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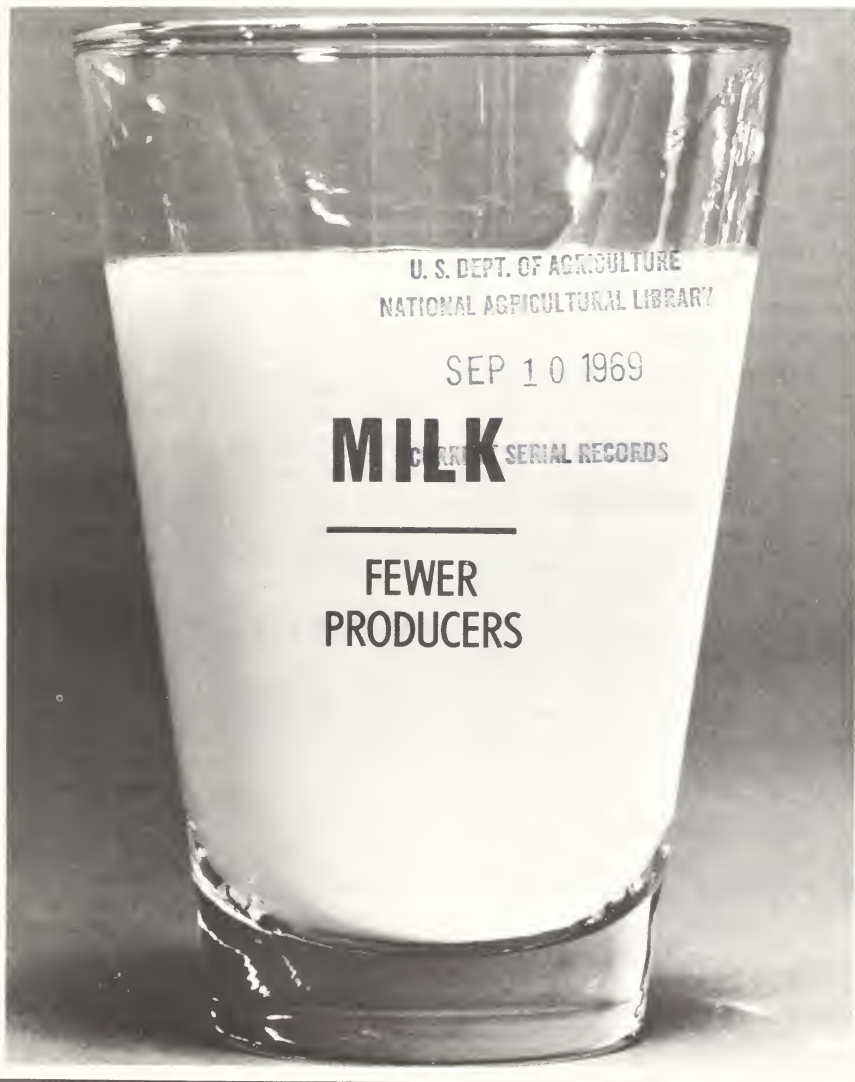
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AGRICULTURAL SITUATION

U.S. Department of Agriculture

Statistical Reporting Service

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WHY THEY GO:

MILK PRICES ARE UP BUT THE PRESSURES TO QUIT ARE STRONG

A lot of dairy farmers are quitting the business these days, even though milk prices and gross income have been going up.

The number of farms selling milk or cream dropped sharply from over 1 million in 1959 to 648,000 in 1964. The number is still falling.

Meanwhile, dairy prices have risen over one-fourth from 5 years ago. Gross income per dairy farm is almost one-fifth higher, and income per hour for dairy farm operators has doubled.

But the rise in prices is being offset by other pressures on dairy producers:

OTHER OPPORTUNITIES

Good job opportunities in industry or in other types of farming have attracted many dairy farmers.

In traditional dairy production areas, the Northeast and much of the North Central States, many industrial and big city jobs are close by the dairy farm. The hours are shorter than in dairying and wages have been rising.

In less industrialized regions, dairy farmers are also being attracted to beef or other farming enterprises. Recently the switch may have been hastened by higher beef cattle prices which tempt dairymen to liquidate their herds.

BETTER EFFICIENCY

The increase in efficiency of most milk producers has put a tremendous pressure on less efficient operators to modernize or move out.

Total milk production rose more than 20 percent between the late 1940's and the early 1960's. But efficiency per man hour rose faster. In the earlier period it took 2.6 man-hours to produce 100 pounds of milk; in the recent period only 1 hour. And for today's top producers, the time has become even shorter.

It takes fewer dairy farms and fewer dairy cows to produce our milk supply than in the past. This creates a pressure to reduce the number of dairy farms. The least efficient farms are likely to be the first to go out of business.

BIGGER INVESTMENT

The harvest of efficiency which dairy farmers are reaping has its price tag. Labor-savers such as barn cleaners, loose housing, and milking parlors call for large investments. And so do the higher-yielding cows and larger herds needed to take full advantage of this equipment.

Under pressure to modernize, many of the smaller dairy producers have quit dairying.

Although there has been a steep decline in the total number of dairy

farms, one group of producers is growing—those who gross over \$20,000 yearly.

Large-scale milk production enables these farms to withstand the pressures that is driving others out of dairying. In 1964, farms in the \$20-\$40,000 bracket of milk and cream sales averaged 49 cows, and those in the \$40,000 plus bracket averaged 130. Dairy farms in these two groups produced one-half of the milk and cream in 1964.

Dairy experts predict further increases in the number of cows per farm, as new techniques enable each worker to handle more animals. Yields per cow will continue to rise. This will call for even larger investment in livestock and machinery, and uncommonly good management savvy.

A GOOD PLACE FOR APPLE PIE

Apples are what you'll find most frequently on midwestern fruit trees, according to an 8-State survey of commercial orchards and vineyards.

In addition to 5½ million apple trees, the 1968 survey found 5 million tart cherry trees, followed in popularity by peaches, pears, sweet cherries and plums. And grapes grow on 21.5 thousand acres in Michigan and Ohio.

The Statistical Reporting Service, and Consumer Marketing Service, both of USDA, cooperated with State Departments of Agriculture to get the survey done. In the 1968 survey were Minnesota, Wisconsin, Michigan, Ohio, Indiana, Illinois, Kentucky, and Tennessee.

FREE INSURANCE CHECKLIST



**INSURANCE
FACTS FOR FARMERS**

Fire, liability, sickness, and death can have serious financial repercussions. Farmers, in addition, have drought, hail, and windstorm damage to their crops.

Insurance can reduce worry and perhaps save the finances of a farmer and his family. But choosing amounts and kinds of insurance takes care.

Descriptions of the most important insurance for farmers can be found in a booklet called "Insurance Facts for Farmers."

To obtain a free copy, send your name, address and Zip code to Editor, Agricultural Situation, USDA, Office of Management Services, Washington, D.C. 20250.

AG OUTLOOK



Based on Information Available August 1, 1969

MILK OR MEAT?

Dairymen will be culling herds closely to get high slaughter cow prices. The ratio of milk to beef prices this summer favors beef more strongly than it has in 4 years.

Sale of milk cows because of high canner and cutter cow prices may quicken the downtrend in milk cow numbers. May's dairy herd decline—less than 3 percent—was the lowest of 7 years.

MILK OUTPUT DOWN

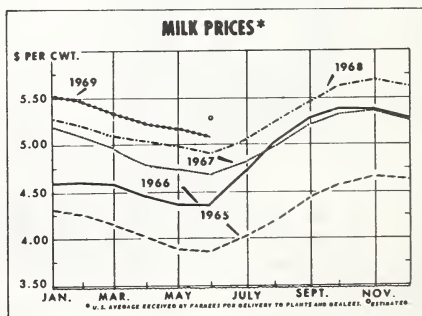
Gains in milk yields aren't offsetting the declining number of cows. Output per cow in May gained a scant 1.3 percent over the previous year.

May milk output was the smallest in 30 years. Total 1969 output may be 1 or 2 percent below 1968's.

PRICES IMPROVE

First-half milk prices paid to farmers averaged a record \$5.30 per hundred pounds. (See chart.)

Prospects for lower milk supplies than last year during the second half of 1969 could cause the wholesale trade to increase butter and cheese stocks during the third quarter. This would perk up demand and bring price strength during the second half.



FARM INCOME IS UP

Gross income from farming outdistanced sharply rising production costs, pushing net income to record levels in the first half of 1969.

Farm production unit costs increased in January-June to 5½ percent over a year earlier. Farm wage rates, feeder livestock prices, interest, and building supplies were all up 10 percent or more. Purchased feed prices were unchanged and fertilizer prices were 4 percent lower.

On the income side, prices farmers received averaged 5½ percent higher and market volume was up around 2 percent.

Total livestock and product sales in the first half were up about \$1.3 billion, thanks to an 11-percent average price rise and a slight increase in market volume.

Crop receipts were \$300 million more than in January-June 1968. Lower prices were more than offset by a larger volume of marketings. Government payments were little changed, but will be higher than last fall during July-December.

Realized net farm income during the first half was at an annual rate (seasonally adjusted) of \$15.6 billion, \$1 billion more than the same period of last year. If the second half of 1969 proves as good, net income for the year will be well above the \$14.8 billion realized in 1968. Income per farm operator family—which includes both farm and off-farm income—will also probably exceed last year's average of about \$9,600.

CATTLE PRICES HOLDING

Fed cattle price won't regain their early summer highs. However, they will probably continue above a year earlier for the rest of 1969.

Fed cattle marketings this summer and fall are expected to be well above a year earlier. Partly offsetting this supply increase, though, demand for beef will continue strong, and fall hog slaughter is expected to be smaller than a year earlier.

CALF CROP

A larger calf crop is in store. The Statistical Reporting Service estimates the number born during 1969 at 44.5 million, 1 percent more than a year earlier. The number of calves will be larger than last year in the South and West; smaller in other regions.

TOP LAMB PRICES

Lamb prices have held well above 1968 levels. Slaughter lambs in the important San Angelo market brought \$29 per hundredweight in late July, \$5 more than a year earlier.

Slaughter lamb supplies were down 9 percent during the first half of 1969 and will remain lower during the second half. Prices will stay above last year's levels.

WATCH WHEAT FEEDING

If there's to be any relief in our wheat oversupply, live-stock feeding will have to provide it. Exports hit a 10-year low during 1968-69 (year ended July 1), and will pick up little during 1969-70.

But wheat feeding hit a 20-year high of 176 million bushels last season. Prices averaged \$1.24 a bushel. This was a cent below the loan rate and only narrowly above feed grain prices. The narrow gap between wheat and feed grain prices will continue this season. So heavy feeding use should continue, preventing any large increase in the carryover.

With more wheat feeding, smaller nongovernment stocks, and heavy loan use, wheat prices will strengthen earlier than they did last season. But for the next 12 months, overall price improvement may be slight.

STOCKS PILE UP

There is plenty of last year's grain on hand this year. The Statistical Reporting Service estimates carryover stocks of wheat on July 1 up 50 percent and oat and barley stocks up sharply. Grain sorghum stocks are 5 percent higher than in 1968. But there is 6 percent less stored corn and 12 percent less rye.

SOYBEAN PRICES PEAK

Soybean prices will peak this summer. Domestic demand and exports have been strong. The CCC is holding storable beans off the market until September 1. Their asking price will be a minimum \$2.52½ per bushel for No. 1 beans.

Prices will drop in the fall. A large crop is expected. The September 1 carryover of old-crop beans will be sharply larger than the previous carryover. And the 1969 crop support price for No. 1 soybeans will drop to \$2.25 per bushel.

COTTONSEED DEVALUED

To keep cottonseed competitive with soybeans at the new, lower support price, the 1969 crop cottonseed support level has been reduced from \$48 to \$37 per ton.

LARD PRICES RISE

Lard output is about equal to last year's. But with a strong demand for edible fats and oils, prices have improved. Near-term prices will be well above last summer's level of 5½ cents per pound at Chicago.

GROWERS RETRENCH

Growers of processing vegetables have cut back their acreage this year. The only exception is cabbage grown for sauerkraut. The smaller acreage will sharply reduce the canned and frozen vegetable pack. But processors have large stocks of processed vegetables on hand. Total supplies for the 1969-70 marketing season will be near last year's record level. So no big price increases are in sight.



The Agricultural Economics and Statistics Service, South Vietnam's crop reporting agency, has to contend with major difficulties. A team of SRS statisticians has been working with the Vietnamese to help them improve crop and livestock estimates, gather price data and upgrade publication of farm facts. Recently, the team helped conduct a survey of rice stocks on Delta farms. The Assistant Chief of the AESS, Nguyen Tran Thach, is currently in the U.S. training in preparation for the 1970 World Agricultural Census.

Rough Rice Needs Special Handling

Rice needs a lot of warmth and moisture for growth, and is harvested wet. Thus, before milling, rough green rice needs processing: delivery to driers, drying, storing dried grain, and loading out. It's time consuming, and can slow distribution and choke storage facilities. A lot of the economy in this 4-part drying-handling operation hinges on efficient use of space.

Recent shortening of rice harvest seasons and burgeoning demand have made speedier drying operations essential. Although some of the new demand is domestic, most comes from the increase in U.S. rice exports since 1966.

Most rough rice is shipped to

driers, generally located at or near a mill. After milling, rice is either loaded out directly to markets, or stored for later distribution.

Rates differ for drying and handling among our three main rice-producing areas: Texas-Louisiana, Arkansas-Mississippi, and California.

Drying costs alone, for example, were highest in California—15.1 cents per hundredweight, lowest in Texas-Louisiana—10.5 cents. Yet, the complete cycle was cheapest in California. Total book costs were 73.5 cents per hundredweight in Arkansas-Mississippi and 72.8 cents in Texas-Louisiana—about a third higher than the California average.

HOW SOUTH VIETNAM



A rice field being prepared for planting in Vietnam. In some areas, fields are plowed several times, then harrowed.

Rice is planted during the spring rainy season. Most is transplanted to paddies at seedling stage; but some fields are broadcast with seed while flooded by river, and allowed to settle in as the water recedes.



River water irrigates these paddies. Paddies farther inland are watered by the heavy rains of the monsoon.

Rice is grown on about 5½ million acres, mostly along rivers of the Mekong Delta. Yields average 0.8 tons per acre, compared with our yields of 2.2 tons per acre.

In spite of wartime conditions, South Vietnamese yields have improved in recent years.



In this photo, farmers are threshing rice grain from straw in harvested paddies. Threshers are standing behind windbreaks made of straw mats.

When rice is too wet for field threshing, it is gathered into a central area and threshed.

GROWS ITS RICE

Women load rice into boats outside a local rice mill. Numerous canals like this one which ease transportation in Vietnam were mostly built or improved during French rule.

Between the time it is harvested and the end of the milling process, rough rice loses 40 percent of its weight.

The next step is to distribute rice from the Mekong to Vietnam's 17 million people.



Rice vendor at provincial market in An Giang city discusses prices with Nguyen Tran Thach, Ass't. Chief of Vietnam's crop reporting agency. Baskets contain several types of rice.

There has been serious inflation in the cities, especially in Saigon, where food prices are $3\frac{1}{2}$ times higher than in 1963. The average Vietnamese eats 1.8 pounds of rice per day.



During the fallow season, paddies can be flooded to produce carp and other native fish. Fish, meat, fowl, and vegetables supplement rice in Vietnamese diets.

This fish pond is located in an experimental farm in An Giang Province.

The farm is also experimenting with IR-8 rice.

The photographs on these pages were taken by Ed Lippert, member of the SRS team in Vietnam.



NEW GRAINS BRING ASIA PROBLEMS AS WELL AS PROGRESS



Threshing short-strawed IR-8 rice on Vietnamese farm. IR-8 yields are double those of old varieties. Vietnamese dubbed the rice "Honda," for motorcycle they can purchase with extra profits.

What's happening in hungry parts of Asia is a little like rubbing Aladdin's lamp and having a wish come true: An adequate supply of wheat and rice for a billion bowls. The big question is whether the genie of the lamp can sustain his miracle, offsetting possible new problems.

A scant 2 years ago it seemed that an Asia self-sufficient in grain was not even probable. Yet the 1968-69 season in Asia has seen new grain varieties planted on 7 percent of the riceland and 16 percent of the wheatland in less developed areas. This should add an estimated 9 percent to rice production and 20 percent to wheat output. How? By increasing yields 30 to 100 percent per acre over traditional varieties, raised under similar irrigated conditions.

The new varieties result from a major international venture. Earliest part of the story goes back to prewar Japan, when botanists combined United States and Japanese wheat varieties to develop a stiff, short-strawed variety. Then the ex-

periment was lost in the rumble of war. After the war, a U.S. scientist working with the Japanese brought samples of a new variety, Norin 10, to U.S. wheat breeders.

"Norin" descendants finally found their way into a Rockefeller Institute experiment in Mexico. The result was the now-famous stiff, short-strawed, high-yielding "Mexican wheat."

Patterns of the rice story parallel the wheat. Supported by Rockefeller and Ford Foundations, the International Rice Research Institute, in Manila, developed stiff, short-strawed varieties of rice, high-yielding and sturdy.

The new varieties can be intensively fertilized without lodging or buckling. They also mature quickly, often offering an extra crop per season.

Yet new grains may create serious problems in South Asia. For example, field floods in East Pakistan, generally overcome by native varieties, are a problem for new varieties. The new grains do need

much moisture, but at the proper time. South Asian weather is fickle, and many areas are too arid or lack good irrigation.

Fast growth of new grains often brings on harvest during rainy seasons, making drying and milling difficult.

Governments must subsidize elaborate packages of new seed and chemical fertilizers to encourage use. New plant diseases, lack of proper transportation, and lack of roads to service farmers could also bog down progress.

Finally, customer acceptance is much lower than for more familiar varieties, so the grain is sold at a discount.

Still, the spread of the new varieties has been astonishing. Although data are limited, it's apparent that

they added to grain production in India in 1967-68. However, the subcontinent also had excellent weather coinciding with plantings of the new grains, following two record drought years.

Continued production successes, however, could create surpluses. Several Asian countries raising the new grains have already faced and overcome surplus-disposal problems.

Asia might even find itself feeding its millions with a smaller farm population, because of reduced labor needs. This could force rural workers to wedge their way into the industrial economy, without the preparation and aid available in more technologically developed countries.

THEY'RE CHANGING RICE TRADE, TOO

New high-yielding varieties and good weather in the past 2 years are changing the rice supply and demand picture.

Japan has shifted from shortages to surplus, West Pakistan faces a surplus of the new rice, the Philippines is self-sufficient, and several other countries have reduced import needs. The United States, top world exporter of rice since 1967, now faces a growing net export surplus.

On the other hand, import needs are growing in Africa, and remain large in most Asian importing countries, Cuba, Europe, and other places. And after years of exporting rice, South Korea seems permanently shifted to importing.

In Asia, source of 90 percent of the world's rice, development and spread of the new high-yielding rice

varieties are sure to have significant impact on the long-range outlook. If weather in the next decade generally favors rice crops, and new varieties more acceptable to consumers are developed, which seems likely, there will be a move away from the high-price, low-supply position of the last decade.

By 1980, Economic Research Service analysts see the rice picture as one of generally sufficient exportable supplies and much lower prices. Rice should become cheaper in absolute terms and in relation to wheat, its nearest substitute. However, with expected widespread boosts in production would come reduced needs for importing countries. Also, reduced prices to producers in developing countries could dampen production increases.

FARM FREIGHT RATES



All identical farm products reaching a market at a given time usually must compete at the same price, regardless of how far they traveled or how they shipped. Naturally, the higher the transportation cost, the less of the sales price that remains for the farmer.

A recent study by USDA's Economic Research Service found that while competitive forces have kept commodity shipping costs low in many areas, more widespread com-

petition and lower rates may be feasible.

One of the most important factors affecting these rates is the body of industry practices and public laws which govern freight rate making. Those guidelines followed by regulatory bodies have traditionally kept the needs of farmers in mind.

Until the 1930's, most unprocessed farm products as well as other goods were carried from the countryside to terminal markets by rail.

OLD POLICIES

Accordingly, rail rates were regulated in order to prevent monopolistic practices and insure reasonable service to shippers.

One result of the public pressures on regulatory bodies was the equalizing of rates for all areas shipping to the same regional market.

For example, the rate for shipping grain by rail from Cedar Rapids, Iowa, to Chicago might be no more than the rate from Pontiac, Ill., even though Pontiac is only half the distance from Chicago.

NEW COMPETITORS

Since the 1930's vast improvements in highways, waterways, and equipment have enabled truckers and bargelines to capture a substantial share of the commodity hauling business.

Obviously, each form of transportation has unique advantages over certain routes. But for an increasing number of routes, shippers of farm commodities can now choose among several types of transportation. For example, an elevator operator served by a truck line and a railroad could pick the transporter who offered the lowest price and best service.

While policies affecting truck and barge rates leave these carriers free to compete for unmanufactured farm product shipments, the railroads have been somewhat more restricted in their competitive activities.

Laws and policies on some routes prevent railroads from cutting rates below the lowest levels which competing truck or barge lines could offer. It is widely feared that if the railroads could undercut competitors' prices, they could put other

carriers out of business and re-establish a monopoly.

In fact, says the study, the effect of regulating rail rate making would be to allow railroads to compete more effectively on some shorter hauls. This would extend competition between modes over a greater range.

MONOPOLY UNLIKELY

Trucks and barges have enough flexibility and inherent advantages to adjust to such change and stay in the running. So the study suggests that giving the green lantern to more active competition by railroads wouldn't necessarily bring back a monopoly or allow any mode undue rate making power.

In addition to lowering the costs of shipping farm products, more competitive rail rates might shore up the financial condition of the railroad industry, the report suggests.

FIXED COSTS

High "fixed" costs maintaining rolling stock, yards, rights-of-way, and other overhead—must be paid by the railroad just to keep operating.

With a declining share of the transportation business, and because of the nature of rail traffic patterns, much railroad track and equipment operates substantially below full capacity.

Low rates, even though they might be too low to provide the usual return to railroads, would result in traffic increases that would make fuller use of facilities and pay for some of the fixed costs. The lower rates would be a boon to farmers served by the railroads.

Shoes: Will Leather Keep the Upper Hand?

Impact of Synthetics

Third in a Series

Competition from synthetics and substitutes is as familiar as an old shoe to the leather industry. Once used universally for shoe uppers, soles, and heels, gloves, luggage, industrial belting and other products, leather has been displaced by a variety of substitutes over the years.

Recent inroads, though, have been especially noticeable. For example, manmade materials are now used in three-fourths of shoe soles and an even larger percentage of shoe heels.

Shoe uppers, still made primarily from leather, are the largest domestic outlet for cowhide, accounting for 70 percent of domestic use.

But recently, leather substitutes have even gained acceptance in shoe upper manufacture. Substitutes include poromerics, the leather-like material; vinyls, plastics, and fabrics. Manufacturers can choose from 69 types and brands of leather substitutes.

Consumers like poromerics because of their durability, water-resistance, dye-fastness, and easy upkeep.

Manufacturers are attracted because poromerics are lighter, more uniform, and cut with less wastage than leather. They are competitive in price, too.

By 1975, the Economic Research Service predicts that poromerics and other substitutes could account for 35 percent of the nonrubber shoe-upper market, compared with nearly 25 percent today.

The growth of substitutes will mean a further decline in leather

use. If the present trend continues, the number of hides used in shoe uppers would be one-fifth smaller in 1980 than it was in 1965.

Total hide use also would be lower. Domestic use of cowhides, which has ranged between 22 and 24 million per year for the last decade, would be expected to drop to 21 million by 1980.

This could create a huge cattle hide surplus problem. Currently, we are exporting one-third of our hide production. But with beef cattle production expanding, hide output is expected to rise to 46 million by 1980, compared with 38 million predicted for 1970.

Since world leather production will continue to increase, it is unlikely that exports will grow enough to absorb all the added output.

While new materials will continue to encroach on leather's markets, the tanning industry can bolster leather consumption through improving the attractiveness of leather to traditional users, and by finding new outlets. To strengthen leather's market position, tanners could:

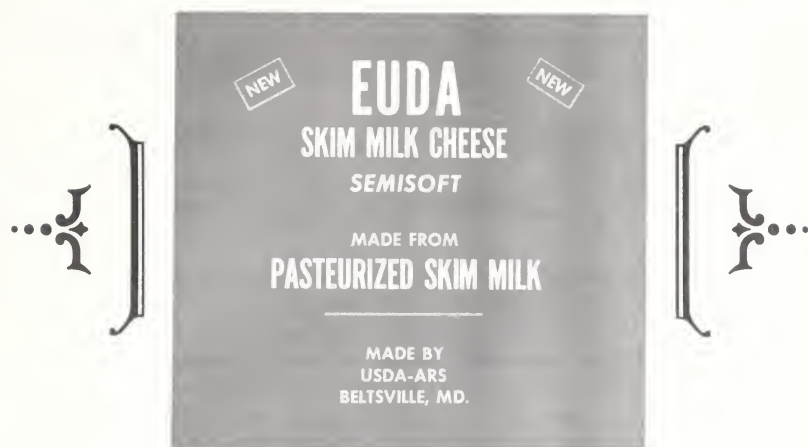
- Establish industry-wide or Federal grades for leather;

- Trim hides as close to the supply sources as possible;

- Streamline the hide marketing and tanning process;

- Search for new applications for hide. Avenues being explored include conversion into cattle feed, edible food casings, and sheets of fabric made from extruded hide fibers.

Any of these steps might improve leather consumption, but all will require large outlays for research and market development.



A new skim milk semi-soft cheese, called EUDA enjoyed good customer acceptance in a limited super-market test near Washington, D.C.

EUDA's big selling point aside from a pleasant flavor: It's made from skim milk, not whole milk, and it has a lower fat content than most other cheeses. Its average composition is about 56 percent moisture, 6 percent milkfat, and 38 percent nonfat milk solids.

During the 13-week sales test it

sold for between 64 and 74 cents per pound, but economists say it can be sold for significantly less and still bring normal profits to manufacturers and retailers.

EUDA cheese did not significantly affect sales of five other cheeses studied in the test. About 75 percent of the purchasers like EUDA and planned to buy it again. Some of the EUDA buyers said they were not usually cheese buyers.

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Assistant Editor:
Raymond Bridge

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